

January 30, 2004

Ms. Beth Sachs
Executive Director
Vermont Energy Investment Corporation
255 South Champlain Street
Burlington, VT 05401

Re: Contract Amendment to Attachment J, Section 11 Regarding Carryover Requests

Dear Ms. Sachs:

Michael Wickenden, Contract Administrator, has recently brought to my attention that the current wording of the second paragraph of Section 11 of Attachment J of the Public Service Board's ("Board") contract with Vermont Energy Investment Corporation ("VEIC") does not reflect our intention when we negotiated the contract. Specifically, our intention was to streamline the administration of our contract by excluding from annual review the carryover of relatively small sums resulting from VEIC's spending less than the full amount directly under VEIC's control in that year. However, the actual wording of the second paragraph of Section 11 of Attachment J includes the funds "held back" as a possible performance incentive as well as Customer Credit Available Funds in the carryover calculation, even though VEIC does not have the authority to spend these funds. The magnitude of the performance incentive and customer credit funds is such that, if these funds are included in the carryover calculation, VEIC would be required to file an annual carryover request regardless of its level of spending.

To correct this situation, Mr. Wickenden has suggested amending the second paragraph of Section 11 of Attachment J of our contract so that the language reflects our original intent. I concur with Mr. Wickenden's and Board staff's recommendation that our contract should be amended. To express the same concept in slightly different words, I suggest inserting the words "net of funds identified in Attachment N for the Performance-Based Fee and any *Customer Credit Available Funds*," in the current second paragraph of Section 11 of Attachment J. With those words inserted, the paragraph would read, in its entirety:

Such requests to carry forward any anticipated unspent *Contractor EEC Funds* shall be required only if the unspent *Contractor EEC Funds*, net of funds

identified in Attachment N for the Performance-Based Fee and any *Customer Credit Available Funds*, for a given year are greater than 5% of the total *Contractor EEC Funds* available in that year; if the unspent *Contractor EEC Funds* for 2003 or 2004 are less than 5% of the total *Contractor EEC Funds* available in that particular year, the unspent *Contractor EEC Funds* shall automatically be carried forward to the next year. In no event may such request seek a change, for a given year, in the total annual amount to be collected from Vermont electric ratepayers as approved in any of the corresponding *Board* orders or rules that sets out the *EEC* in each of the three years.

The new language includes a new defined term – *Customer Credit Available Funds*. This term would be defined as "the funds that participants in the Customer Credit Program have contributed and are eligible to apply for to defer qualified expenses."

Please indicate your acceptance of these terms by dating and signing below and returning a signed copy to me for inclusion in your contract file.

Sincerely,

Michael H. Dworkin
Chair

Dated this _____ day of _____, 2004

Beth Sachs, Executive Director
Vermont Energy Investment Corporation

cc: Michael Wickenden, Contract Administrator